

MICROSOFT SURFACE

INCREASING SALES PROMOTION EFFICACY FOR WORLDWIDE MARKETS

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Microsoft Corporation is a global technology leader that develops, manufactures, licenses, and sells computer products and consumer electronics. Founded in 1975, its legacy lies in software licensing, which today comprises over 80% of its \$93.6B annual revenue. This software legacy greatly influenced how Microsoft went to market with its hardware products. In 2013, Microsoft made its first foray into the Commercial hardware market with the creation of the Commercial Surface channel. Like enterprise software, Microsoft believed that this channel would be defined by high volume sales, and therefore primarily focused on larger enterprise deals. However, given the long sales cycle of enterprise customers, Microsoft learned the importance of Small-Medium Businesses (SMB). To entice this segment, Microsoft began endorsing sales promotions to drive incremental volume. Sales promotions have since become a central part of the channel's pricing strategy and a key lever for revenue generation.

At the onset of this 13-week project, the Tauber team was tasked with assessing whether these sales promotions were successful at generating uplift and return on investment. By analyzing incremental sales over baseline run rates, the team confirmed that sales promotions are largely effective at achieving these goals; however, the team observed a significant lag time between the promotion effective date and the first promotion sales. To diagnose this lag time, the team met with over 60 internal and external stakeholders and identified an opportunity to streamline the process for promotion creation and implementation, helping subsidiaries to better plan, create, implement, and evaluate promotions in their market.

Creating a formalized process would ultimately improve promotion efficacy by reducing the initial lag time and allowing new sales during the life of the promotion. To accomplish this objective, the Tauber team assigned owners to critical activities, established implementation deadlines, and created cadences for continuous improvement. This formalized process takes the form of an overarching governance framework with tactical tools that include a planning calendar, work-back schedule, and performance scorecard. These tools will allow subsidiaries to successfully execute the framework and increase promotion efficacy by reducing inefficiencies. By implementing our recommendations, Microsoft's expected incremental revenue for the Surface Commercial channel, in the US alone, is approximately \$18.3M per year.